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PUBLIC SERVICE
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QUARTERLY REPORT OF GAS COST
RECOVERY RATE CALCULATION

Date Filed: November 29, 2010

Date Rates to be Effective: January 1, 2011 to March 31, 2011

Reporting Period is Calendar Quarter Ended:

Valley Gas, Inc.

PO Box 55
Irvington, KY 40146
Phone: (270) 547-2455
igenergy@bbtel.com
Fax: (270) 547-2464

November 29, 2010

Mr. Jeff Derouen, Executive Director
Executive Director, Public Service Commission
PO Box 615 / 211 Sower Blvd.
Frankfort, KY 40602

PUBLIC SERVICE COMMISSION

RE: Case # 2010-00333

Gas Cost Adjustment Report

Dear Mr. Derouen:

Enclosed please find tariff sheets setting out the rates to be reviewed and approved by the Commission on November 29, 2010 in Case No. 2010-00333 for natural gas service here in Irvington, Kentucky.

Sincerely,

Kerry R Kasey
Secretary

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$6.2663
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	(\$1.8157)
Balance Adjustment (BA)	\$/Mcf	\$0.0000
<u>Gas Cost Recovery Rate (GCR)</u>	<u>\$/Mcf</u>	<u>\$4.4506</u>

Rates to be effective for service rendered from January 1, 2011

A. EXPECTED GAS COST CALCULATION

	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Sch II)	\$/Mcf	\$221,094.37
/Sales for the 12 months ended	\$/Mcf	35,283.00
<u>Expected Gas Cost</u>	<u>\$/Mcf</u>	<u>\$6.2663</u>

B. REFUND ADJUSTMENT CALCULATION

	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch III)	\$/Mcf	\$0.0000
+Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	
<u>=Refund Adjustment (RA)</u>	<u>\$ Mcf</u>	<u>\$0.0000</u>

C. ACTUAL ADJUSTMENT CALCULATION

	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	(\$0.2624)
+Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$1.5533)
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	
<u>=Actual Adjustment (AA)</u>	<u>\$ Mcf</u>	<u>(\$1.8157)</u>

D. BALANCE ADJUSTMENT CALCULATION

	<u>Unit</u>	<u>Amount</u>
Balance Adjustment for the Reporting Period (Sch V)	\$/Mcf	\$0.0000
+Previous Quarter Reported Balance Adjustment	\$/Mcf	
+Second Previous Quarter Reported Balance Adjustment	\$/Mcf	
+Third Previous Quarter Reported Balance Adjustment	\$/Mcf	
<u>=Balance Adjustment (BA)</u>	<u>\$ Mcf</u>	<u>\$0.0000</u>

SCHEDULE II
 EXPECTED GAS COST

Actual Mcf Purchases for 12 months ended September 30, 2010

(1) Supplier	(2) Dth	(3) Btu Conversion Factor	(4) Mcf	(5) Rate	(6) (4) x (5) Cost
ATMOS ENERGY			38,777	\$5.9529	230839.43
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00

Totals		38,777	\$230,839.43
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Line loss for 12 months ended 9/30/2010 is based on purchases of
 and sales of 35,283.00 Mcf. 9.01% 38,777.00

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)		\$230,839.43
/ Mcf Purchases (4)		38,777
= Average Expected Cost Per Mcf Purchased		\$5.9530
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)		37,140.00
= Total Expected Gas Cost (to Schedule IA)		\$221,094.37

SCHEDULE III

SUPPLIER REFUND ADJUSTMENT

Description	Unit	Amount
Supplier Refunds Received during 2 Month Period	\$	
Interest Factor (90 Day Commercial Paper Rate)		
Refunds Including Interest	\$	\$0.00
Divided by 12 Month Projected Sales Ended	Mcf	35,283.00
Current Supplier Refund Adjustment		0

For the 12 month period ended

September 30, 2010

Particulars	Unit	Jul-10	Aug-10	Sep-10
Total Supply Volumes Purchased	Mcf	836	837	851
Total Cost of Volumes Purchased	\$	\$4,792.91	\$4,847.59	\$3,947.77
/ Total Sales *	Mcf	880.0	795.2	852.0
= Unit Cost of Gas	\$/Mcf	\$5.4465	\$6.0964	\$4.6335
- EGC in Effect for Month	\$/Mcf	\$9.0829	\$9.0829	\$9.0829
= Difference	\$/Mcf	(\$3.6364)	(\$2.9865)	(\$4.4494)
x Actual Sales during Month	Mcf	880.0	759.0	852.0
= Monthly Cost Difference	\$	(\$3,200.04)	(\$2,266.72)	(\$3,790.86)
Total Cost Difference		(\$9,257.62)		
/ Sales for 12 months ended		35,283.0		
= Actual Adjustment for the Reporting Period (to Sch IC)		(\$0.2624)		

* May not be less than 95% of supply volume